

Message Text

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43

ACTION EB-06

INFO OCT-01 EUR-08 NEA-06 ISO-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03

LAB-01 SIL-01 L-01 H-01 PA-01 PRS-01 USIA-06 DRC-01

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R 190900Z OCT 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1241

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

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DEPT PASS TREASURY AND FRB

EO 11652: NA

TAGS: EFIN EALR KU

SUBJ: AMERICAN BANKING PRESENCE IN KUWAIT EXPANDS

1. THE NUMBER OF AMERICAN BANKS WITH THEIR OWN REPRESENTATIVES
HERE, ON ONE FORM OR ANOTHER, IS ABOUT TO DOUBLE. FIRST NATIONAL
CITY BANK WILL HAVE A REPRESENTATIVE AND CHEMICAL BANK WILL
HAVE ONE OF ITS EMPLOYEES DETAILED TO THE KUWAIT INVESTMENT
COMPANY ON A SPECIAL ASSIGNMENT. EMPLOYEES OF BANK OF AMERICA
AND CHASE, MANHATTAN ARE ALREADY HERE, RESPECTIVELY, AS
MANAGERS OF THE REAL ESTATE BANK AND THE COMMERCIAL BANK.

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PRIOR TO 1974 NO AMERICAN BANKS WERE REPRESENTED HERE BY THEIR

OWN PERSONNEL.

2. UNDER KUWAIT LAW FOREIGN BANKS ARE NOT ALLOWED IN THE COUNTRY AND FOREIGN OWNERSHIP OF LOCAL BANKS IS ALSO PROHIBITED. AT THE SAME TIME US BANKING INTERESTS HAVE BEEN INTERESTED IN TAPPING THE LOCAL MARKET. AS THE NEW FNCB REP TOLD EMBOFF THE BANKS ARE DETERMINED TO COME TO KUWAIT "ONE WAY OR ANOTHER". SOME BANKS ARE INVOLVED WITH KUWAITI FINANCIAL INTERESTS ELSEWHERE. AMONG THEM ARE BANK OF AMERICA, FNCB, CHASE AND MORGAN. IT APPEARS, HOWEVER, THAT SOME FORM OF PHYSICAL PRESENCE IN KUWAIT ITSELF IS DEEMED TO BE IMPORTANT. THE EXPERIENCE OF BANK OF AMERICA OVER THE PAST YEAR (SEE KUWAIT 4166) SUGGESTS THAT IT CAN BE IMPORTANT TO AMERICAN BANKS TO HAVE A PRESENCE HERE IF THEY HOPE TO IMPROVE THEIR POSITION IN THE HIGHLY COMPETITIVE KUWAITI FINANCIAL MARKET.

3. REMAINS TO BE SEEN WHETHER FNCB WILL BE SUCCESSFUL IN ESTABLISHING RESIDENT REP OFFICE HERE SINCE THIS STRIKES US AS CHALLENGING AT LEAST THE SPIRIT OF KUWAITI BANKING LAW. THEIR SPONSOR, HOWEVER, IS KUWAIT'S LEADING LAWYER, HAMAD YUSUF AL-ESSA, AND PRESUMABLY HE IS SATISFIED THAT FNCB'S ARRANGEMENT IS LEGAL. IF THAT IS TRUE, HOWEVER, IT LIKELY WILL SET A PRECEDENT OTHER BANKS WILL WISH TO FOLLOW.

4. IN THE CASE OF CHEMICAL BANK, IT AGREED LAST SUMMER TO DETAIL ONE OF ITS EMPLOYEES TO THE KUWAIT INVESTMENT COMPANY ON A SIX-TO-NINE MONTH ASSIGNMENT TO TRAIN KIC PERSONNEL IN UNDERWRITING. WE WOULD NOT BE SURPRISED IF THE US BANK TRIED TO USE THIS ENTREE TO ESTABLISH A LONGER TERM PRESENCE HERE.

5. AS THE PRESENCE OF US BANKS HERE INCREASES COMPETITION AMONG THEM CAN BE EXPECTED TO INTENSIFY. MOREOVER, CORRESPONDENT AND OTHER RELATIONSHIPS THAT HAVE EXISTED BETWEEN CERTAIN US AND KUWAITI BANKS WILL UNDERGO CHANGES AS LOCAL BANKS LOOK INCREASINGLY TO AMERICAN BANKS FOR MANAGEMENT SERVICES. FINALLY, WE THINK THAT EVENTUALLY CLOSER LINKS BETWEEN AMERICAN AND KUWAITI BANKS IS LIKELY TO HAVE AN IMPACT ON THE DIRECTION AND FLOW OF PRIVATE AND EVEN GKOK FUNDS TO FINANCIAL MARKETS ELSEWHERE.

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